

**MCCOY MEMORIAL NURSING CENTER  
BISHOPVILLE, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1997  
AC# 3-MCY-J6**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 14, 1999

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with McCoy Memorial Nursing Center, for the contract periods beginning October 1, 1997 and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by McCoy Memorial Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and McCoy Memorial Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
July 14, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**MCCOY MEMORIAL NURSING CENTER**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1997  
AC# 3-MCY-J6

10/01/97-  
09/30/98

Interim reimbursement rate (1)	\$90.97
Adjusted reimbursement rate	<u>88.94</u>
Decrease in reimbursement rate	\$ <u><u>2.03</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

**MCCOY MEMORIAL NURSING CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Periods October 1, 1997 Through September 30, 1998  
AC# 3-MCY-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$39.60	\$44.95	
Dietary		9.74	9.74	
Laundry/Housekeeping/Maint.		<u>7.11</u>	<u>7.72</u>	
Subtotal	<u>\$4.37</u>	56.45	62.41	\$56.45
Administration & Med. Rec.	<u>\$2.03</u>	<u>7.42</u>	<u>9.45</u>	<u>7.42</u>
Subtotal		63.87	<u>\$71.86</u>	63.87
<u>Costs Not Subject to Standards:</u>				
Utilities		2.14		2.14
Special Services		2.35		2.35
Medical Supplies & Oxygen		5.39		5.39
Taxes and Insurance		1.30		1.30
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$75.05</u>		75.05
Inflation Factor (4.40%)				3.30
Cost of Capital				8.34
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.03
Cost Incentive				4.37
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.65)
Minimum Wage Add-On				<u>.50</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$88.94</u>

**MCCOY MEMORIAL NURSING CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1996  
AC# 3-MCY-J6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,266,368	\$ -	\$ 6,018 (4) 404 (4)	\$1,259,946
Dietary	310,327	-	503 (4)	309,824
Laundry	37,461	-	149 (4)	37,312
Housekeeping	126,439	-	570 (4)	125,869
Maintenance	63,188	-	138 (4)	63,050
Administration & Medical Records	236,698	-	435 (4) 82 (4)	236,181
Utilities	68,194	-	-	68,194
Special Services	92,477	-	17,738 (6)	74,739
Medical Supplies & Oxygen	194,954	-	23,419 (5)	171,535
Taxes & Insurance	41,305	-	-	41,305
Legal Fees	-	-	-	-
Cost of Capital	278,098	3,545 (3) 43,942 (7) <u>56,641 (8)</u>	12,268 (1) 9,848 (2)	360,110
Subtotal	2,715,509	104,128	71,572	2,748,065

**MCCOY MEMORIAL NURSING CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1996  
AC# 3-MCY-J6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	53,445	-	-	53,445
Non-Allowable	295,881	12,268 (1)	3,545 (3)	239,906
		9,848 (2)	43,942 (7)	
		8,299 (4)	56,641 (8)	
	<u>          </u>	<u>17,738 (6)</u>	<u>          </u>	<u>          </u>
Total Operating Expenses	<u>\$3,064,835</u>	<u>\$152,281</u>	<u>\$175,700</u>	<u>\$3,041,416</u>
TOTAL PATIENT DAYS	<u>31,819</u>	<u>-</u>	<u>-</u>	<u>31,819</u>
TOTAL BEDS	<u>88</u>	COST OF CAPITAL PATIENT DAYS <u>43,180</u>		



**MCCOY MEMORIAL NURSING CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1996  
AC# 3-MCY-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 12,268	
	Other Equity	51,990	
	Accumulated Depreciation		\$ 49,145
	Fixed Assets		2,845
	Cost of Capital		12,268
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	9,848	
	Cost of Capital		9,848
	To remove loan cost amortization expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	3,545	
	Nonallowable		3,545
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Nonallowable	8,299	
	Nursing		6,018
	Restorative		404
	Dietary		503
	Laundry		149
	Housekeeping		570
	Maintenance		138
	Administration		435
	Medical Records		82
	To adjust fringe benefits and related allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Other Ancillary Revenue	23,419	
	Medical Supplies		23,419
	To properly offset income against related expense State Plan, Attachment 4.19D		

**MCCOY MEMORIAL NURSING CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1996  
AC# 3-MCY-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Special Services	17,738	17,738
	To adjust co-insurance for Medicare Part B services to allowable State Plan, Attachment 4.19D		
7	Cost of Capital Nonallowable	43,942	43,942
	To record depreciation and amortization expense applicable to 32 bed addition effective 10/1/97 State Plan, Attachment 4.19D		
8	Cost of Capital Nonallowable	56,641	56,641
	To adjust capital return to allowable State Plan, Attachment 4.19		
	TOTAL ADJUSTMENTS	<u>\$227,690</u>	<u>\$227,690</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**MCCOY MEMORIAL NURSING CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1996  
AC# 3-MCY-J6

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1144</u>	<u>2.1144</u>	
Deemed Asset Value (Per Bed)	33,022	33,022	
Number of Beds	<u>88</u>	<u>32</u>	
Deemed Asset Value	2,905,936	1,056,704	
Improvements Since 1981	6,190	-	
Accumulated Depreciation at 9/30/96	<u>(613,523)</u>	<u>(42,499)</u>	
Deemed Depreciated Value	2,298,603	1,014,205	
Market Rate of Return	<u>0.070</u>	<u>0.070</u>	
Total Annual Return	160,902	70,994	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	160,902	70,994	
Depreciation Expense	84,624	42,499	
Amortization Expense	-	1,443	
Capital Related Income Offsets	(352)	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	245,174	114,936	\$360,110
Total Patient Days (Minimum 97% Occupancy)	<u>31,819</u>	<u>11,361</u>	<u>43,180</u>
Cost of Capital Per Diem	\$ <u>7.71</u>	\$ <u>10.12</u>	\$ <u>8.34</u>